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Italian shepherd

Brazil's Coffee Comeback

Argentina's Wheat Exports May Jump

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In this issue:

2 Brazil Determined To Make Comeback From Coffee Freeze By J. Phillip Rourk

5 Some Easing Seen in the World Grain Situation

6 Argentina's Wheat Exports May Be Highest in a Decade By James P. Rudbeck

8 Development Program Boosts Farm Output in South Italy By Forrest K. Geerken

10 FAO Conference Report: New Trends Take Shape By Ralph W. Phillips

11 Turkey Cuts Cotton Acres and Production Sharply

12 Canada's Grape Growers Plant Improved Varieties By George C. Myles

13 Soviet Distress Slaughter Down from September High

14 Crops and Markets

This week's cover:

A shepherd walks a lonely road in South Italy. Article detailing South Italy's economic and agricultural development begins on page 8 of this issue.

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Warns competitors

Brazil Determined To Make Comeback from Coffee Freeze

By J. PHILLIP ROURK
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BRAZIL HAS already gone on record that it will make every effort to regain its traditional position in the coffee world as quickly as possible following the July frost that killed or damaged hundreds of millions of Brazil's coffee trees. The setback will undoubtedly continue to influence the short- and long-term planning of the country's industry.

But what effect will the Brazilian freeze have on the undertakings of other coffee producing countries in Central and South America, and in Africa and the Far East? Will they try to boost production to compete more strongly with Brazil in future years? Or will they be content to capitalize only on the short-term problems Brazil is facing as a result of the tree killoff?

Lest there be any misunderstanding in regard to Brazil's determination to make a comeback, Camilo Calazan, President of the Brazilian Coffee Institute (IBC), told delegates to the London meeting of the International Coffee Council, on November 3, 1975, that "Brazil does not intend to abandon its place as a major world supplier of coffee. This is not a mere declaration of intention, but the expression of concrete decisions which, at this very moment, are being carried out in full.

"Those who may harbor doubts about Brazil's recovery—and might feel encouraged to make new plantings—will be embarking upon a dangerous gamble, of questionable inspiration, with dramatic consequences for all producers."

There is no doubt that a number of coffee producers around the world experienced a momentary thrill of anticipation when the full extent of Brazil's freeze became known. It was unquestionably the worst in living memory in terms of area covered and number of trees affected. (See *Foreign Agriculture*, Sept. 22, 1975.)

The immediate short-term reaction to the freeze in world coffee markets was a sharp increase in green coffee prices.

Psychological factors, rather than any physical shortage of coffee, prompted the rise in price. Brazil's 1975/76 coffee crop, estimated by FAS at 23 million 60-kilogram bags (132 lb) was being harvested at the time of the frost and was not damaged. In addition, Brazil had carryover stocks from previous harvests of about 21 million bags as of July 1, 1975—15 million in the hands of the IBC, 6 million held by private traders and growers (mainly the latter.) A number of other countries in the Western Hemisphere and in Africa also had sizable carryover stocks available. In short, the world supply of coffee was—and is—more than adequate to take care of any foreseeable world demand in the 12 months ahead.

It is a foregone conclusion that Brazil's 1976/77 crop will be drastically reduced, to perhaps no more than 9-10.5 million bags. The 1977/78 crop will also be significantly less than normal, since the hundreds of millions of trees that may have to be severely pruned will need more than 1 year to recuperate. It is possible that it will be 1979 before Brazilian production potential is restored to its prefrost level.

Unquestionably, higher world prices for coffee, plus expanded opportunities for other countries to fill the prospective market gap left by anticipated reductions in Brazilian exports, will encourage efforts to increase production. But since new trees require 3 to 4 years to come into production, any crop increase in the next 2 or 3 years must be achieved through greater use of fertilizers and other chemical inputs on existing trees. The recent worldwide falloff in use of such inputs, attributed to the high prices of 1973 and 1974, may now be reversed.

Because of the structure of the coffee

COFFEE: A BOOM OR BUST CROP

Coffee has a long history as a boom-or-bust commodity.

In recent years, the 1950's were characterized by high prices and vast new plantings; the 1960's by low prices, massive carryover stocks and a curtailment of new plantings. The past 5 years have seen a generally rising price level, and a resumption of new plantings on a substantial scale, particularly in Brazil and other Latin American countries.

While Brazilian production has been moving up and down over the past quarter of a century in response to market forces and changes in official Brazilian coffee policies, production in the rest of the world has shown a steady upward trend. Thus, the Brazilian share of total world production has fallen from 48.8 percent during the decade of the 1950's to 37 percent during the 1960's, and 34 percent for 1970-75.

Average world production during the period 1970-75 was up nearly 10 million bags per year, compared with the preceding 5-year period. About half of the increase occurred in Brazil. With Brazilian production expected to increase still further as new trees came into production, the stage was set for another cycle of overproduction and depressed prices.

Reflecting this changing supply-demand picture, prices had been declining from mid-1974 to mid-1975. At the beginning of June 1974, the composite price of the four main types of coffee was 74 cents per pound; by early July 1975 it had declined to 60 cents per pound.

Thus, the frost that struck Brazil's major coffee-producing states on the night of July 17/18, 1975, not only brought about immediately higher green coffee prices, and the prospect of a very small 1976/77 harvest in Brazil, but also reversed, at least for the next 2 or 3 years, what appeared to be the start of another prolonged period of overproduction and weak prices. The short- and medium-term implications of the freeze, for producers and consumers alike, are extremely significant.

industry (predominantly consisting of medium- and large-size farms) and more advanced production technology in some Central American countries and Mexico and Colombia, it is likely that most short-term increases in production wil come from these countries rather than from Africa or Asia.

An unknown, but important, element in the equation is the effect higher prices will have on consumption.

In the United States, per capita consumption has declined gradually since about 1962 for reasons that are complex and not completely understood. Some observers predict that higher prices will accelerate this downtrend. On the other hand, others feel that rising coffee prices will be offset by prices of competing beverages—whether milk, tea, soft drinks, or alcoholic beverages—that have also risen. They point, also, to the historic position of coffee as a loss leader in supermarket pricing that could soften the impact of rising green coffee prices by keeping retail prices at a relatively low level.

Another short-term effect of the freeze is that Brazilian coffee production for the next 2 or 3 years already has largely been determined by the extent of the frost damage. There is little that can be done to increase immediate output other than by giving careful attention to good management techniques —replanting damaged trees, if necessary; proper pruning; adequate use of fertilizer; and appropriate control of rust and insects in order to maximize production in the near future from existing trees.

The impact of the July freeze on longer term coffee production trends—in the period from about 1979 to 1985 —is less easy to assess. There are a number of factors involved, some of them working in opposite directions.

Increases in output in Colombia, Mexico, and Central America also would have to come from existing trees and would likewise result from more intensive applications of modern technology in pruning, fertilization, and in the control of diseases and insect damage if output is to be maximized.

These same countries also have significant potentials for further expansion of production based on expanded acreage and increased tree numbers. What is uncertain at this time is the extent to which individual farmers in these countries will respond to the higher price levels likely to prevail during the next 2 or 3 years.

Coffee production in Colombia, the world's second largest producer after Brazil, was remarkably stable during the decade from the early 1960's to the early 1970's. During the past 4 years however, 1972-75, average production has gone up to 8.5 million bags. These recent increases reflect somewhat higher prices since 1972, improved cultural practices, and the coming into bearing of a certain number of trees of higher yielding varieties, such as *Caturra.*

The immediate reaction to the Brazilian frost in Colombian coffee circles—and, indeed, the country at large—was one of renewed confidence and optimism. Coffee production and exports are vitally important to the economy of the country. It was estimated that foreign exchange receipts might increase by as much as $100 million in 1975 and $200 million annually in subsequent years, largely because of expanded coffee exports.

At the same time net prices paid to Colombian producers were increased by 39 percent in late July 1975. This pointed to the possibility that new coffee planting would be made on a significant scale, in view of increased profitability to the farmer.

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To bring you production and trade news more promptly, the information now included in Crops and Markets of *Foreign Agriculture*, will be discontinued in early February as a section of the magazine and will be carried instead in the *Weekly Roundup of Production and Trade*, published each Tuesday. If you wish to receive the Weekly Roundup, (free of charge to U.S. residents only), please fill out and mail in the coupon on the back page.

However, it did not take long for second thoughts to occur. By early August the Government began to express concern about the inflationary impact of coffee dollars. It suggested that growers receive a portion of their coffee sales revenues in Government bonds. Meanwhile, public officials cautioned farmers against making excessive new plantings.

The National Federation of Coffee Growers continued to stress the advisability of crop diversification in coffee producing areas. At the end of September, the General Manager of the Federation again warned of the dangers of world coffee overproduction, and cautioned growers not to overreact to the unusually favorable prices.

With this attitude on the part of Colombian officials, and given the ability of the Coffee Federation to influence the price received by the grower—through taxes, internal price levels, retention quotas, and so forth—it is likely that Colombian coffee production will continue to trend upward, but at no more than about 3 percent per year.

The potential for significant increases in coffee production is strong in Central America, particularly in Mexico and Guatemala. Only very moderate rises seem possible in Costa Rica and El Salvador because of the shortage of suitable land, high labor costs, and already high average yields that make further gains in output more difficult and costly to achieve.

The real crux of the matter is production costs.

Coffee, under any system of cultivation, is a crop requiring much hand work. Under the even more intensive production system in vogue in Central America, man-days of labor required per unit of land rise dramatically. Also causing additional concern in coffee-producing circles is the high cost of fertilizers and other chemical inputs such as herbicides, fungicides, insecticides, and application expenses.

At green coffee prices prevailing prior to the July freeze, profit margins were at—or near—the vanishing point. In the opinion of many observers, the long-term future of coffee in a number of Central America countries was in doubt. Certainly few—if any—coffee farmers were thinking prior to the freeze in terms of making additional capital investments to increase production.

The July disaster in Brazil has obviously brought into existence an entirely new situation. At current prices, coffee is once again a profitable crop. Nevertheless, Central American producers must bear in mind the announced determination of Brazil to regain its prefreeze production level and retain its traditional share of the world market.

It seems reasonable to suppose that fear of future Brazilian competition—plus the increasingly high break-even point brought about by rising labor, capital, and input costs—will cause farmers to be cautious about increasing coffee acreage, unless there is a certainty coffee will remain a profitable crop in future years.

In Africa and Asia, coffee is produced by a relatively large number of countries. Collectively they have accounted for 34 percent of total world production during the past 5 years. In terms of physical resources, many have the potential to continue to increase production in the future. This is particularly true in the case of those countries producing robusta coffee, which presently accounts for about 75 percent of African production, over 90 percent of Indonesian output, and about one-third of the coffee produced in India.

One critical element is the extent to which robusta coffee may be able to compete for world markets against lower grade arabica. Robusta producers have increased their share of the world market in the immediate past. It is possible they could continue to do so.

However, despite the relative success of robusta in penetrating more and more markets, it is doubtful whether African or Asian coffee production (with the possible exception of that in India) will increase significantly in the future. The main obstacle is the structure of the industry.

Coffee in Africa and Asia is, on the whole, a smallholder crop. In many countries the average farmer has no more than 100 or 200 trees, while the majority has, perhaps, no more than 1 or 2 acres in coffee. Cultivation techniques are extremely rudimentary in most countries.

Production increases in the past were achieved mainly through acreage expansion. However, future increases must, of necessity, be based on modernization of the industry and adoption of technology to improve yields per acre.

To make the jump from primitive, low-yield to modern, high-yield techniques may be beyond the financial and managerial capacity of many African and Asian producers.

In addition, several of the larger producer countries—such as Angola, Ethiopia, and Uganda—are now suffering from internal social and political unrest. In others—such as Zaire and Tanzania—their Governments have recently imposed radical changes on the industry that will probably have adverse short-term consequences.

In short, it is unlikely that the Brazilian freeze, and the resulting higher prices, will have any noticeable impact on African/Asian coffee production. Instead it will probably continue to increase at a very slow pace in the years ahead.

The initial reaction around the world to the Brazilian frost was to view it as an unmitigated disaster in the belief that the Brazilian coffee farmers in the affected areas would be faced with ex-

Continued on page 11

TOTAL WORLD PRODUCTION OF GREEN COFFEE
[In thousands of bags—60 kg each]

Type	Average				Annual				
	1950/51-1954/55	1955/56-1959/60	1961/62-1965/66	1966/67-1970/71	1971/72	1972/73	1973/74	1974/75	1975/76
Colombian milds	6,834	8,150	9,082	9,688	9,050	10,865	9,600	10,838	10,465
Other milds	8,519	10,780	14,565	16,107	18,305	18,794	18,307	19,857	19,660
Unwashed arabicas[1]	19,577	29,100	29,119	19,746	25,893	26,245	16,345	29,682	25,130
Robustas	6,116	10,396	15,768	17,440	18,586	20,581	17,959	19,349	17,291
Total	41,046	58,426	68,534	62,981	71,834	76,485	62,211	79,726	72,546

[1] Mainly Brazil.

Some Easing Seen In World Grain Situation

THE tighter supply psychology that permeated the world grain outlook this past fall has eased somewhat, according to USDA's latest report on the world supply-demand situation for grains and rice.[1] That report, based on conditions as of mid-December, says that in the last 6 weeks there has been a slight shift in the direction of greater supply, particularly as related to estimated usage and effective import demand.

Two factors largely account for this change:

- Lessened speculation over the possibility that USSR grain imports might substantially exceed the 27 million tons then—and still—estimated for July-June 1975/76; and
- Confirmation of a record world rice crop, possibly 20 million tons above that of 1974.

Wheat and feedgrains. Major changes reported for world wheat and feedgrain crops include:

- A sharp downward revision in Soviet crop estimates, accompanied by offsetting decreases in estimates of consumption and stocks but no increase in import estimates;
- A net increase of about 2.5 million tons in estimates of West European imports; and
- Improved crops and export availabilities in the southern countries of Eastern Europe.

These combined developments point toward a slight upward revision in the forecast of yearend world stocks this season, although they would still be below the unusually low level reached at the end of 1974/75.

Despite these anticipated small stocks, previous uncertainties over the adequacy of world supplies have diminished with the growing belief that the USSR probably cannot handle more than 27 million tons of grain imports this season (or 30 million tons in the 15 months ending September 1976). Already, for instance, deliveries of foreign grain have reportedly been constrained by handling limitations at some unloading points in the USSR.

[1] **"World Grain Situation: Outlook for 1975/76," FG-16, December 22, 1975.**

While its trade prospects are unchanged, Soviet production estimates have been lowered considerably, based on a statement by the chairman of the USSR Planning and Budget Commission at a recent Supreme Soviet session. The new USDA estimate of the Soviet grain crop is 137 million tons (including 10 million tons of miscellaneous grains and pulses)—20 million tons below the October estimate and the smallest USSR crop in a decade. This change, in turn, has sharply altered USDA estimates of world grain production, consumption, and ending stocks.

"... the East European grain position has improved since the late October assessment."

Outside the USSR, projected stock levels for the end of 1975/76 are estimated at about 3.5 million tons above projections made as of October 31, 1975.

For Western Europe, the 1975 grain production estimate is now nearly 2 million tons less than that as of late October and about 11 million tons below the record 1974 harvest. The stock drawdown, earlier expected to be about equal to last year's extraordinary buildup of approximately 5.5 million tons, now appears likely to be somewhat smaller. On the other hand, the estimate for 1975/76 livestock feed demand has also been lowered to slightly below the 1974/75 level; if realized this will be the first decline in recent history of West European grain consumption for feed. Past annual increases in grain feeding have generally been between 2 million and 3 million tons.

Since the smaller crop and less-than-expected stock drawdown will be only partly offset by reduced feeding, estimates of trade volume have been adjusted significantly. Imports for the season are now estimated 1.5 million tons greater than as of late October, with all of the increase occurring in feedgrains. Further, most of the reduced French grain production has been translated into lower estimates of French exports. This, in combination with greater West European imports, boosts estimates of Western Europe's net imports by approximately 2.5 million tons.

By contrast, the East European grain position, has improved since the late October assessment. Mid-December reports place the Romanian corn crop up 1 million tons from the earlier estimate, with a corresponding decrease in import needs and an increase in export availability. Within the past week, reports from Yugoslavia also reflect higher than expected corn production and an accompanying increase in export supplies. Overall, losses from unfavorable weather conditions last summer now appear to have been much less than reported at that time. As a result, the grain crop in Eastern Europe is now estimated to be 86 million tons, still 3 million tons below last year's record but significantly above that in any other year prior to 1974.

Among the major feedgrain exporter countries, Argentina's crop, harvested in March and April, usually has the greatest impact on late-season world export supplies and market conditions. Normally the full magnitude of any change in projected crop outturn is reflected directly in export availability. Total Argentine coarse grain production is still expected to be well above a year ago, but field reports as of mid-December cautioned that a current dry spell, should it continue for the next several weeks, might mean a serious drought situation.

The Argentine wheat harvest is almost complete, and the expected record crop of about 8 million tons will likely lead to a 10-year high export volume. Elsewhere among Southern Hemisphere exporting countries, especially Australia and South Africa, crop prospects are generally good.

Despite the recent easing in the supply-demand outlook, renewed tightening could yet occur should:

- World feed usage rates accelerate and significantly exceed current expectations;
- Imports into the USSR increase; and
- Serious problems arise with the Argentine corn and sorghum crops.

Rice. The 1975/76 world rice crop is now estimated at 346.9 million metric tons (paddy), up 6 percent from last

Continued on page 18

Argentina's Wheat Exports May Be Highest in a Decade

By JAMES P. RUDBECK
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IF ITS 1975/76 wheat harvest is as successful as experts are currently predicting, Argentina will put more wheat on sale in world markets than it has in a decade. Wheat exports had been below normal for several years, but this year's output promises to show a 40 percent improvement over the 1974/75 weather-damaged crop, to 8 million metric tons. With domestic consumption expected to remain at about 4.4 million tons, exports are now predicted at 3.6 million, an amount not matched since 1965/66.

The area harvested for this season's wheat crop, 12.6 million acres, was somewhat less than the 15.2 million harvested in 1964/65, but 30 percent more than last year's acreage, and 23 percent above the 1970-75 average. The yield predicted for the 1975/76 crop is 23 bushels per acre, a 7 percent improvement over last year's, though not quite as efficient as the 27-bushel yield achieved in 1964/65.

Earlier estimates of the 1975/76 wheat crop were somewhat higher than the 8 million tons currently anticipated, but a dry spell that stretched through November and into mid-December reduced yields somewhat—particularly in the southwest.

The dry spell will probably have a much more serious effect on the coarse-grain and edible-oilseed plantings that occur in November and December. Argentina had been hoping for a major recovery in corn, sorghum, and sunflowers—which will be harvested this spring—but dry weather may have curtailed sowing considerably.

Though earlier forecasts have been reduced somewhat, corn and sorghum may nonetheless stage substantial comebacks from last year's decimated crops. As of mid-December, corn output was projected at 8.8 million tons, 14 percent better than last year's, and sorghum at 5.6 million, one-third more than the 1974/75 production.

Argentine wheat farmers are more often victims of the capriciousness of weather than their counterparts in most other parts of the world, including the United States. Argentine weather tends to gravitate between extremes—either exceptionally good conditions, as this season may be developing, or highly unfavorable conditions as was the case last year, and to a large extent, over the past several years. The weather in wheat-growing areas of the United States, for example, tends to be more moderate—not fluctuating as wildly as Argentine weather does.

One reason that a stretch of bad weather can be especially devastating to an Argentine wheat crop is that the crop is planted over a rather limited longitudinal area, unbroken by any major mountain ranges. Unlike the United States, where wheat is grown over a very broad area, the same weather conditions tend to affect most of Argentina's production—one drought can ruin almost an entire crop.

Argentina's wheat region is normally divided into three zones: The northern, around Rosario in Santa Fé Province, where corn, sunflower, and soybeans are alternative crops; the western, which includes the Province of La Pampa and is also a cattle fattening area; and the southern, stretching between the cities of Mar del Plata and Bahía Blanca.

Plantings were increased in the northern "Rosafé" zone, and, despite some delays in planting due to excessive moisture, record or near-record yields are expected.

Timely rains prompted a 19 percent increase in plantings in the western zone—a marginal area where farmers hope for one decent crop about every 4 years.

Moisture this year has been less than ideal, with dryness and some insect problems, in the southern zone. All of Argentina's Durum wheat is grown in the southern zone, which runs along the Atlantic Ocean. Normally it is the zone that is the most stable with respect to rainfall. The Durum crop is nonetheless projected to reach 550,000 tons, compared with 400,000 tons last season.

Aside from the favorable weather, a number of other factors figured in this year's expansion in wheat plantings, after several years of generally declining sowings. Primarily there was the effect of the "cattle crisis." Argentina's livestock trade continues to be depressed because of high input costs and low wholesale prices for cattle. To survive the crunch, some farmers switched from cattle raising to the more remunerative production of grain and oilseeds. The transition is particularly reflected in increases in plantings of wheat, sorghum, sunflower, and soybeans.

Another major factor was the strength

MAJOR ARGENTINE GRAINS

Commodity/ Year	Area harvested	Yield	Production	Beginninng stocks	Exports	Domestic consumption
	1,000 acres	*Bushels per acre*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Wheat, total:[1]						
1973/74	9,500	25.3	6,560	270	1,550	4,300
1974/75	9,650	21.9	5,750	1,025	1,750	4,400
1975/76	12,600	23.4	8,000	775	3,600	4,400
Corn:[2]						
1974/75	8,900	43.8	9,900	425	5,400	4,300
1975/76	8,750	32.8	7,400	150	3,550	3,900
1976/77	8,950	38.7	8,800	100	5,000	3,800
Sorghum:[2]						
1974/75	5,950	34.6	5,200	225	3,200	2,170
1975/76	6,100	27.1	4,200	50	2,200	2,010
1976/77	6,850	32.0	5,600	40	3,600	2,000

[1] Dec.-Nov. marketing year. [2] Apr.-Mar. marketing year.

of wheat prices at the time of planting. Support prices for wheat during May-July 1975 were relatively attractive compared with those of other grains, and there were strong indications that the Government would further raise prices to keep pace with the rapidly rising cost of production. The wheat support prices did indeed continue to climb—they more than tripled between March and November 1975.

Because wheat is a winter crop and can be pastured to some extent, it helped to support the record number of cattle on farms that resulted from overstocking. Another reason for the surge in wheat acreage might be that an unusually large number of farmers made their periodic switch from corn to wheat as a means of weed control. Herbicides are considered too expensive.

In September 1973, the marketing of wheat became the exclusive function of the National Grain Board; since then, corn and grain sorghum have been added. An Argentine farmer has two options in selling his wheat: He can deliver his crop to a local cooperative that will transfer the wheat to a federated cooperative, then to the Board; or, he can sell his wheat to a local grain dealer who will send it on to a broker before it is delivered to the Board.

The Board sets the prices and margins for the wheat, and has been attempting to adjust the price to compensate for rampant domestic inflation. The rate of inflation was estimated at 273 percent for the first 10 months of 1975 and slightly more than 300 percent for the 12 months ending in November 1975.

The initial price for the 1974/75 crop of 85 pesos[1] per quintal was eventually raised to 98 pesos, a 15 percent increase. In March 1975, the price announced for the 1975/76 crop was 125 pesos per quintal, but by mid-November it had been raised to 425 pesos, a 240 percent jump.

Though growers did expand their plantings in 1975, most farm groups in Argentina contend that the exchange rate for wheat is "overvalued" and results in low peso prices to the producers. They cite the special tourist exchange rate that was 75.1 pesos per dollar and the street rate that ran as high as 150 pesos per dollar as being more indicative of domestic inflation.

The Grain Board either sells its wheat to domestic users or exports it, and can sell for export in any of three ways. The Board can enter bilateral governmental agreements, as it did in 1975 with the Soviet Union, Algeria, Libya, Paraguay, and Bolivia. The Board could also offer wheat directly at the import tenders of other countries' buying agencies, as was the case with early November 1975 sales to Brazil and Chile. Or, the Board can sell wheat f.o.b., mostly to the international trading firms, at its own tenders—the firms then find eventual markets for the wheat or use it to cover earlier commitments.

[1] As of mid-October 1975, the net exchange rate for wheat exports was 39.4 pesos=US$1.00. The Government exacts a 40-percent export tax and a 5.8 percent-domestic tax on the commercial exchange rate.

Soviet Cotton Crop Ends Run of Records

THE 5-YEAR streak of successive record cotton harvests in the USSR was broken in 1975 with a crop about 400,000 tons less than, but second only to, the record 8.4-million-ton harvest in 1974. Despite the fact that the national plan for 7.7 million tons of cotton (unginned) was fulfilled and the amount pledged by the cotton-growing Republics almost achieved, the failure to meet earlier expectations of a crop in 1975 equal to, or exceeding, the 1974 outstanding harvest was undoubtedly somewhat disappointing to the Soviets. This is especially true in the face of this year's otherwise extremely poor Soviet agricultural performance.

Cotton production in the 3 preceding years (1970-1973) was: 1973, 7.7 million tons; 1972, 7.3 million; 1971, 7.1 million, and 1970, 6.9 million. The 1966-70 yearly average was 6.1 million tons, that for 1971-75 was 7.7 million.

Unfavorable weather during the growing and harvesting periods over most of Soviet Central Asia—especially in Uzbekistan, the major cotton-growing Republic in the USSR—was the major cause for 1975's lower-than-expected total Soviet cotton harvest.

Soviet expectations of a cotton crop this year equal to, or exceeding, the 1974 record harvest continued to persist through at least mid-October. However, the onset of early fall freezing weather, heavy rains, and snow—which stopped cotton development 10 to 15 days earlier than usual and caused major harvesting difficulties — reduced the crop well below early-season expectations.

As of early December 1975, cotton sales by Republics to the Government totaled only about 8 million tons. In 1974, this amount was reached in early November, and in early December, the amount had reached about 8.4 million tons. The 1975 lag in total cotton sales was attributable largely to the reduced crop in Uzbekistan. This Republic sold slightly over 5 million tons of cotton to the Government in 1975, compared with a record 5.3 million sold in 1974.

There has been no indication from Soviet sources to substantiate trade rumors of a decline in 1975/76 in the percentage of lint ginned from seed cotton—in recent years around 33.5 percent.

Despite the lower-than-expected cotton crop in 1975, the Soviets achieved great success in cotton production during the current 5-year-plan period. Total output during 1971-75 reached almost 39 million tons, compared with close to 31 million tons in the previous 5-year-plan period, 1966-70.

Cotton lint continues to play an important role as a high-value Soviet export commodity. During 1971-74, annual cotton lint exports—primarily to Great Britain, France, West Germany, Eastern Europe, and Japan—averaged 667,000 tons, compared with an average of 513,000 tons for the pervious 5-year plan period (1966-70). Furthermore, the USSR has been a net exporter of cotton lint. During 1971-74, net exports averaged 496,000 tons, compared with 336,000 tons during the 5 years of 1966-70. In the past few years, Japan has become the largest single importer of Soviet lint cotton.

In the past several years, Lebanon has accounted for most, if not all, of Soviet cottonseed exports. This year, for the first time, Japan also has decided to purchase cottonseed from the USSR on a long-range basis—with the hope of importing 30,000 tons annually.

—By ANGEL O. BYRNE, ERS

Development Program Boosts Farm Output in South Italy

By FORREST K. GEERKEN
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AGRICULTURE in southern Italy and the islands of Sicily and Sardina—in the region known as the Mezzogiorno (literally "the south")—is steadily climbing out of the economic morass that some Italians say resulted from postwar Governmental policies that favored industrial development—especially in the North—at the expense of other sectors of the economy.

The South's turnaround started in 1950 when an integrated development plan was approved to try to eradicate the agricultural, economic, and social depressions that have afflicted the area for centuries. To effect these changes, a new, semi-autonomous Government agency, known as the Cassa per il Mezzogiorno (Southern Italy Development Fund), was formed. Under its charter the Cassa has been entrusted not only with virtually complete responsibility for transforming the South, but it has also been given a high degree of administrative and financial independence.

Previously the South's problems had been attacked piecemeal by a number of competing agencies, but—with the Cassa's founding—a single body was made responsible for solving the wide spectrum of difficulties that exist in the region.

Despite uneven progress, the Cassa's achievements have not been insignificant thus far. In fact, program leaders now boast that over the past 20 years, the South has progressed much faster and farther than during the entire century that followed Italy's unification in 1860.

Between 1950 and 1970, the South's agricultural production (largely consisting of commodities grown nowhere else in Italy) almost doubled, rising from $1.86 billion to $3.37 billion, while industrial output more than quadrupled, going from $1.01 billion to $4.43 billion. During the same period, gross investment increased eightfold, from $773 million to $6.2 billion, and income earned from sources outside the South rose by more than 250 percent, going from $5.63 billion to $14.8 billion. The region's net per capita income increased more than twofold, from $318 to $741.

Industrial employment in the region has also risen—by more than 50 percent—from 1.22 million to 1.90 million. In the services sector employment rose by 47 percent, from 1.51 million to 2.21 million. These employment increases have materially improved the living standards of the people in southern Italy, as evidenced by the nearly fivefold jump in private consumption of such items as food and beverages, tobacco, clothing, and footwear, to mention a few, from $3.31 billion to $16.2 billion.

The South's need for improvement of these proportions can easily be determined from the relationship between its population and its contribution to the country's gross national product (GNP). The South has about one-third of Italy's 55 million people but accounts for less than a quarter of its GNP. Only about 30 percent of the South's residents are active elements in the country's economy, compared with a national average of 35 percent—itself low in relation to other industrialized nations.

Even with its progress during the past 20 years, the South has limped behind the rest of the country economically and, as a result, 6 million people—mostly young men—have emigrated from the area at one time or another, in search of jobs further north or in other countries in the European Community.

That the South's agriculture suffered as a result of this outflow is evidenced by the country's chronic trade deficit caused, in part, by growing imports of agricultural and prepared food products.

In recent years the problem of increasing the country's overall agricultural production—while at the same time slowing the northward flow of labor—has occupied more of the Government's attention, with the major emphasis being given to curbing Italy's heavy dependence on food imports. And it appears that the basic thrust of this effort will be directed toward accelerated development in the Mezzogiorno—particularly in the agricultural sector.

But plans to develop the South are not new. Every government since the end of World War II has made its development a major political objective. However, until recently developmental policies were largely fragmented and discoordinated. Even in more recent years, efforts to boost the South's economy have concentrated more on industralization of the region than on agriculture, plans being based on the intensive use of capital rather than labor. But the results have been unsatisfactory.

Industrial development consistently fell short of expectations largely because of the South's relative isolation from major population centers in the North and from the rest of Europe. Southern agriculture also suffered because it was relegated to a relatively minor role.

BY 1972, the Cassa was making itself felt as a major force. It had gathered an aggregate commitment of $15.2 billion capable of stimulating investment in projects valued at more than $24 billion. Partly as a result of encouragement by the Cassa, the South's agricultural sector has shown steady growth and now accounts for 43 percent of the country's agricultural exports, mostly fruits and vegetables.

Of Italy's total farm exports in 1972, potatoes from the South made up 97 percent; table grapes, 77 percent; salad greens, 59 percent; chestnuts, 54 percent; stringbeans, 49 percent; carrots, 47 percent; peppers, 32 percent; and tomatoes, 8 percent. All of Italy's exports of oranges, lemons, and almonds originated in the South.

Helping to strengthen the South's agricultural economy have been large-scale irrigation, land reclamation, and terracing projects; payment of incentives to farmers for land improvement; and development of civic facilities for preserving, processing, and marketing produce. But other investment programs are still needed.

Mr. Geerken is now assigned to FAS, Washington.

In 1974, a new one was launched to assist the Italian citrus industry. The move came 5 years after the European Community agreed in principle to structurally reform Member States' citrus industries, 2 years after the EC formalized its plans, and 1 year after the citrus plan earned Italian Parliament endorsement.

The overall investment target is the lira equivalent of $320 million, half of which will be reimbursed by the European Community's European Agricultural and Guarantee Fund (FEOGA). Major projects include the restructuring of existing nurseries and establishment of new ones; payments to farmers to encourage greater production of citrus fruit varieties having high consumer preference; and improvement of packing, storing, and distribution facilities.

Other programs have been aimed at encouraging livestock production in the South. Sponsored by the Interministerial Planning Committee on the Economy (CIPE) and implemented by the Cassa, the program's overall cost is expected to be some $400 million, $300 million of which is to be channeled through the Cassa. The Special Meat Project, as it is called, is a 5-year scheme whose objectives are to boost production of bull calves by 450,000 annually, lean pigs by 300,000, and heavy lambs by 150,000, for a total increase in meat output of 210,000 metric tons, worth approximately $336 million. Once fully operational, the Special Meat Project is expected to provide jobs for 12,000-14,000 workers.

Payments under the project are based on a complicated series of grants that can finance up to 60 percent of certain production projects, provide low-interest loans, and pay fixed production premiums to farmers, the amount depending on producer category, whether dairy or fattening animals are being raised, and the length of time animals are kept on the farm.

The U.S. Feed Grains Council and American Soybean Association, both FAS cooperators, have made available technical advice to the Cassa since the livestock program was launched in 1972. Annual feed requirements for beef cattle alone to be produced under the Cassa's plan are 700,000 metric tons. Swine feed requirements are expected to be about 800,000 tons when the program is in full swing.

S. Agata di Foggia, Italy, where the U.S. Feed Grains Council has conducted feeding trials in cooperation with an Italian farm group, top. Exhibit cattle at the Foggia Fair in South Italy, bottom.

Notwithstanding the progress that has been made in the Mezzogiorno, there still exist numerous serious problems awaiting solution.

One dilemma is the scarcity of water. Rivers are nonexistent in the South and water tables often lie between 300-400 feet deep, making well construction a costly undertaking. Despite the existence of several plans for increasing the availability of water, there is disagreement among the various localities over various phases of the program.

The question of political jurisdiction is one of the most important problems facing planners in all sectors of the development program. The result is that most programs have built-in delays. Further, the resulting indecision has dampened enthusiasm of investors from outside the area, and many who—initially attracted by the program's investment opportunities—put money into various enterprises have found it necessary to shift some capital to the North where dividends are more certain.

There are also conflicts between Italy and its EC partners.

Some EC Member States apparently believe that Italy has been using conditions in the South to gain economic concessions from the Community.

They argue that even though the area is depressed, costs of domestically produced products have been rising steadily, causing hardships for some of the South's agricultural sectors—olive oil and citrus, for example—but at the same time Italian Government policies are dampening trade opportunities in the area for other EC members.

FAO Conference Report: New Trends Take Shape

By RALPH W. PHILLIPS
International Organization Affairs
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Dr. Phillips was Alternate U.S. Delegate to the 18th session of the FAO Conference held in Rome, November 8-27, 1975. In this article, he evaluates the probable impact of some of the major actions of the Conference upon FAO as it enters its fourth decade.

THE 18TH SESSION of the Food and Agriculture Organization (FAO) Conference may well mark a turning point in FAO affairs—not so much because of what the Conference developed in new ideas or trends, but because a number of trends that had been emerging began to take more definite shape.

Some of these trends had been given additional political impetus as a result of the recommendations of the World Food Conference (WFC), which had been held in Rome under United Nations auspices a year earlier. However, most of these trends were in various stages of development in FAO before the WFC was convened.

FAO Work and Budget. The $167 million budget approved by the Conference for the 1976/77 biennium (up from $106.7 million in the 1974/75 biennium) reflects greater attention to activities that can contribute to increased food and other agricultural production (including fisheries and forestry), and to improved storage, processing, and distribution systems, and relatively less attention to economic-social activities that have characterized FAO programs in recent years.

Greater support was approved for agricultural investment and for development of a large project (with action phases financed from extra-budgetary resources) for control of African trypanosomiasis. There is also provision for general strengthening of activities in most other phases of FAO's technical work.

The Conference also provided for expansion of some economic and social activities, including FAO's global information and early warning system. Fifty-nine nations with about 95 percent of the world's cereal export capacity and more than half the normal flow of exports are now participating in FAO's international undertaking on world food security.

Conference members expressed the belief that FAO headquarters and regional offices should not be unduly enlarged, and that the major focus of FAO activities should be at the country level.

FAO's field program was reviewed in depth and general satisfaction was expressed concerning it. While a substantial portion of the field program is financed by funds provided through the UN Development Program, the proportion of such funds is decreasing, while the proportion provided by individual countries and other multilateral agencies under trust fund arrangements is increasing.

The Conference agreed to a target figure of $750 million for the 1977/78 pledging period of the World Food Program. A pledging conference is to be held in New York in February.

Change in Leadership. A new Director General, Edouard Saouma, of Lebanon, was elected. It is too early to assess the potential impact that his leadership will have on FAO programs. Under FAO rules, the Director General has some flexibility to make changes on his own authority, and other changes may be made with the concurrence of the FAO Council. However, it will be in the 1978/79 program of work that the new Director General can begin to exert a major influence on the nature of the FAO program. That program will be developed during the 1976/77 biennium under Mr. Saouma's leadership of the FAO.

Election of New Members. Five more countries — Bahamas, Cape Verde, Grenada, Papua New Guinea, and Surinam—were elected to FAO membership, bringing total membership to 136. While a few small countries are not members, the only major country not a member of FAO is the USSR.

Organizational Changes. Among the Changes in FAO's constitution and rules approved by the Conference was provision for a Committee on World Food Security as a committee of the FAO Council. Also, provision was made for restructuring the 24-member Intergovernmental Committee on the World Food Program into a 30-member Committee on Food Aid Policies and Programs. The restructured committee will continue to report to the FAO Council and to the UN Economic and Social Council, each of which elects half the committee members.

It was also decided that the Council's Committees on Commodity Problems and Fisheries should be open committees, thus making all five major Council subject-matter committees open to all FAO members wishing to participate.

Politicization. The trend toward politicization that has been evident in recent years appeared in a substantially more intense form in the 18th Conference and was evident in at least five forms, including pressure for support of a new international economic order, admission of the Palestine Liberation Organization as an observer, an effort to restructure some small key committees into large, intergovernmental committees with regularly rotating memberships, injection of Zionism as a racism issue, and injection of the question of control of the Panama Canal.

Debate and behind-the-scenes work on these issues consumed a great deal of time and tended to leave the impression of a highly political, substantively ineffective organization. Fortunately, however, it has been possible for the FAO programs to move forward without undue interference as a result of the politicization that has tended to reduce the effectiveness of the governing bodies and the Conference.

The question of the relationship between FAO and the World Food Council, which had been set up by the UN following the World Food Conference, engendered considerable concern and debate, both in regard to finances and as to the question of the functions of the World Food Council in relation to the functions of the FAO Council.

Turkey Cuts Cotton Acres, Production Sharply

TURKEY's cotton area and production during 1975/76 (August-July) are estimated to have declined substantially below 1974/75 levels. Reductions of 21 percent in area and 24 percent in production could be among the largest in the Northern Hemisphere.

Production in 1975/76 is now estimated at 2.1 million bales, down sharply from 2.76 million last season, grown on 1.64 million acres.

Turkey hopes to expand its exports by 100 percent or more in 1975/76 from the relatively low level of 735,000 bales (480 lb net) in 1974/75 to about 1.5 million bales. Export sales had reached 1.2 million bales by November, half of which was sold before August 1. About two-thirds of total export sales are from the previous 2 years' harvests.

Exports last season were only half the record 1971/72 level. The largest buyers were Switzerland, the United Kingdom, West Germany, Lebanon, and Italy. Sales to the People's Republic of China fell sharply, but rose to other Asian destinations.

Recovering prices in international cotton markets have encouraged exporters to speak more favorably about 1975/76 marketing prospects. Nevertheless, private exporters — drawing upon their experience of the past 2 years—refrain from making any predictions on seasonal export levels.

The Government export promotion incentives may increase exports above the 1974/75 level, but liquidation of all exportable cotton stocks seems unlikely.

Turkish support prices for seed cotton in 1975 are unchanged (slightly higher in U.S. currency because of Turkish lira devaluations) at 25-26 U.S. cents per pound. Producers claim that the minimum support prices do not meet their production costs.

The Turkish Government's decision to keep seed cotton prices at the same levels in 1975/76 as in 1974/75 and to grant an export subsidy of 15 percent for cotton exports created a hopeful atmosphere among private cotton exporters, who had not been able to function economically in 1974/75 because support prices paid by cooperative unions were higher than world values.

In the 1974/75 season, co-ops bought and held most of the Turkish cotton crop when export prices were below domestic prices, thus making export sales unprofitable for private trade.

Unlike the private exporters, the cooperatives were permitted to export cotton last season at the official export price minimums, with Government funds making up the loss. Export prices did not become competitive until last spring, when world values rose to the level of Turkish export values.

Exporters, on the other hand, appear to be in favor of the Government's policy of flexible (tied to world prices) minimum export prices. With the export subsidy of 15 percent, private exporters hope to improve their share of the cotton market.

Turkey's consumption of raw cotton is forecast to increase by about 33 percent from 1,035,000 bales in 1974/75 to about 1,380,000 in 1975/76. To encourage textile exports, Turkey grants subsidies to yarn and textile exporters. These were increased in September and amount to 30 to 45 percent.

Last season's large cotton stocks are expected to be worked down somewhat in 1975/76, but probably will remain at a relatively high level. The 1969-73 average of beginning stocks was 290,000 bales, and estimated ending stocks in 1975/76 of about 850,000 represent more than 8 months' mill use, compared with the usual 2-3 months' stocks.

—Based on report from
Office of U.S. Agricultural Attaché, Ankara

Brazil's Coffee Comeback

Continued from page 4

treme financial hardship because of the loss of much of next year's crop. In fact, this may not be the case.

In the first place, at the time of the frost, harvesting of the 23-million-bag 1975/76 crop was nearly completed. Further, because world prices had been declining for a year prior to the freeze, farmers had been reluctant to sell and still had a substantial amount of coffee from the prior harvest.

The IBC coffee support price, prior to the freeze, was NCr$418 per 60-kg bag (NCr8.28=US$1). Because of depressed world markets, a high percentage of available Brazilian coffee was being sold directly to the IBC. The support price has since been raised to NCr$700 per bag (an increase of 67 percent) and exporters are prepared to pay even more. Thus, Brazil's farmers will make nearly 2 years' income from the proceeds of only 1 year's crop.

The outlook is also favorable in terms of the country's foreign exchange earnings from coffee. Before the freeze, Brazilian coffee was quoted in New York at 68.5 U.S. cents per pound. Since the freeze the price has been quoted at 95.5 cents per pound (in both cases substantial discounting was prevalent). Brazil's coffee exports for the past 3 years 1972/73-1974/75, averaged about 17 million bags per year; it is likely that exports during the next 2 or 3 years will average about 13 million bags.

Of perhaps greater significance is the opportunity created by the freeze to restructure and modernize the Brazilian industry. There is no doubt that a high percentage of Brazil's coffee trees, particularly in Paraná and parts of São Paulo, were old, of inferior varieties, and planted in such a way to permit only manual cultivation.

Farmers now have the opportunity provided by the loss of several hundred million trees to replant with better varieties in such a way as to permit the use of tractors for cultivation and better disease and insect control. Use of such techniques would greatly increase per-acre yields.

There is no question that the Brazilian Government will do all it can to encourage and assist the modernization process.

Farmers in Paraná will also benefit from a frost-induced diversification of agriculture in that State. Many observers are of the opinion that more of Paraná's rich soil should be devoted in the future to the production of food crops and that new coffee plantings should be encouraged. That the Government agrees is evidenced by its announced plans to encourage and finance new and expanded coffee planting in such States as Espirito Santo, Rio de Janeiro, Bahia, and others.

Canada's Grape Growers Plant Improved Varieties

By GEORGE C. MYLES
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CANADIAN grape growers and wineries are responding to the challenges of declining sales and an expanding volume of imported wine by planting improved grape varieties and upgrading domestic wine standards.

In the 12-month period ending March 31, 1974, Canadians bought 15.8 million imperial gallons of domestically produced wine worth about C$132 million—a decline in volume of 1.7 percent from the year-earlier period. Sales of imported wines, on the other hand, amounted to more than 10 million gallons valued at more than C$148 million —an increase in volume of over 9 percent from the previous period.

Imported wine, which accounted for 32 percent of the Canadian wine market in 1970, had by fiscal (April-March) 1974 widened its share to 39 percent of the market's volume and a strong 52 percent of its value.

The expanding share of the Canadian wine market held by imported wine is a clear indication of the changing tastes of consumers, and Canada's wine industry is becoming increasingly concerned with measures to regain its former market position vis-a-vis imported wine.

There is a strong and growing demand among Canadians wineries for grapes suitable for high-quality table wines. Along with a dramatic increase in total wine consumption in recent years, Canadian are now demanding domestic wines with the characteristics of *vinifera* grapes.

The Ontario Grape Growers' Marketing Board (OGGMB) reports a definite switch by growers away from the native *labrusca* varieties to the preferred French hybrid and *vinifera* varieties.

At least one winery has introduced an incentive program for grape growers in the Niagara Peninsula—where most of Canada's wine grapes are grown (in 1974, 135 million pounds of the total 158 million)—to increase plantings of hybrid and *vinifera* grape varieties, which yield a higher quality wine than the native *labrusca* varieties that have long dominated the domestic table-wine market.

The objection to *labrusca* variety wines by Canada's increasingly discriminating wine drinkers is the foxy taste. However, although *labrusca* grapes are declining in popularity for commercial wine, these heavy yielding varieties are well established and will maintain their markets for processing into juices, jams, jellies, and the new types of wine popular with young buyers.

In response to changing consumer preferences and the increased popularity of imported wines, some Canadian wine manufacturers are upgrading their wine production and labeling standards.

The Canadian Wine Institute, recently formed into a national body and the organization through which manufacturers and growers promote Canadian wines, has expressed interest in the upgrading process. New industrywide standards may emerge from these moves by individual manufacturers.

Ontario Aids Growers

The Ontario Government on September 9, 1975, put into effect a two-part program to aid that Province's grape producers. The program provides for purchase of $3-$7 million worth of surplus grapes from the bumper 1975 crop, an incentive plan aimed at replanting of 3,000 acres of *labrusca* varieties to hybrids, and interest-free loans to producers of up to $1,500 per acre over a 10-year period, with postponement of principal payments for the first 5 years. Cost of the incentive replanting and loan portions of the program is estimated at $2 million.

In January 1973, the total number of vines of all varieties planted in Niagara vineyards was about 12 million, covering 21,000 acres. During the spring planting seasons of 1973 and 1974, about 1.5 million vines were added, bringing vineyard area to 23,000 acres.

Most of these new plantings were the preferred varieties, and the switch to hybrids is expected to continue. It is estimated that about 15 percent of Ontario vines are now hybrid varieties. Of the estimated 80 million pounds of Ontario grapes that entered commercial winemaking channels in 1975, about one-third were from European hybrid varieties.

Canada's 1974 grape crop amounted to 157.4 million pounds, 19.2 percent greater than the 1973 outturn of 132 million pounds. Ontario vineyards produced 135.4 million pounds, the second largest crop in history, while British Columbia—which normally accounts for less than 15 percent of total Canadian grape production—produced the remaining 22 million pounds.

ONTARIO grape growers in 1974 sold 113.1 million pounds of grapes through OGGMB—the organization that markets all grapes sold in Ontario for processing—for wines, juices, jams, and jellies. Except for slightly more than 7 million pounds exported to the United States, the volume was processed locally. In British Columbia, the fresh market traditionally absorbs about 5 percent of the crop, with the balance going to wineries and other uses.

The value of Canada's 1974 grape crop at C$18.1 million was the largest on record, and Ontario's 1,200 growers grossed about C$15.1 million of this total as prices received for the 10 classes of grapes achieved record levels, ranging from $196 to $463 per ton.

British Columbia wineries are required by law to purchase 80 percent of their requirements from local growers. In recent years, however, wineries have found this level unattainable because of the strong demand for wines produced from hybrid grape varieties.

About 50 percent of British Columbia plantings are hybrids, and the wineries claim the sugar content of the *labrusca* varieties is too low. To meet consumer demand, wineries import grapes from California.

Soviet Distress Slaughter Down from September High

DISTRESS SLAUGHTER of hogs and poultry in 1975 in the Soviet Union —brought about by the poor grain crop there—peaked in September slowed down in October. Despite the slowdown, however, the rates of slaughter in October still continued unusually high and were far above slaughter levels in October 1974. Nevertheless, meat production in October was down owing to the lighter weight animals sent to slaughter.

Hog numbers, which dropped only 600,000 head in October 1974, fell 3.2 million head in October 1975 (compared with the 4.6-million-head drop in September 1975 from the September figure a year earlier). Similarly, poultry numbers, which had dropped 34 million head in October 1974, dropped 42 million head in October 1975 (compared with the 65-million-head drop in September 1975). Total cattle and sheep and goat slaughter rates fell in October 1975, compared with September rates, but were slightly above the levels of slaughter in October 1974.

As of November 1, 1975, hog numbers on State and collective farms, at 46.5 million head, were down a sharp 17 percent below year-earlier levels, compared with 12 percent below as of October 1. Similarly, poultry numbers, at 376 million head, were down 11 percent, compared with 8 percent as of October 1, 1975. Sheep and goat numbers also dropped slightly from the year earlier level—from 121.3 million on November 1, 1974, to 120.7 million in 1975, 0.5 percent less.

Total cattle numbers were 3 percent higher on November 1, 1975, than on the same date a year earlier—83.9 million compared with 81.1 million. Within these totals, the number of cows also increased—from 26.7 million to 27.3 million, a rise of 2 percent.

Pork output on collective and State farms dropped a sharp 35 percent in October 1975 from the year-earlier level, probably because younger and lighter weight hogs were sent to slaughter. Total January-October 1975 output rose, however, by 15 percent above output during January-October 1974. Poultry meat output, which had made considerable monthly gains at least from July through September, increased only 1 percent in October above the year-earlier level. This again was probably due to the drop in poultry numbers and the lighter weights of birds, since slaughter rates apparently were higher than in 1974.

Total January-October output of poultry meat, however, rose 17 percent above that of a year earlier.

Beef output continued to drop in October 1975—by 16 percent from a year-earlier level—indicating that lower weight animals were still being slaughtered, since the October 1975 slaughter rate apparently was about the same as in 1974. Mutton and lamb output decreased 6 percent in October from that of a year earlier, compared with the 11 percent decrease in September. Beef and mutton outputs during January-October each decreased by about 1 percent from the year-earlier levels.

Since mid-1975, pork and poultry meat output on collective and State farms increased 22 percent and 14 percent, respectively, over the previous year's outputs. The increase in pork output during July-October 1975 reflected the feed and grain pinch and the resulting higher-than-usual slaughter of hogs. Poultry output, on the other hand, has not exceeded the normally expected gains, despite the severe reductions in inventories. Beef output since mid-1975 now is down 4 percent from 1974 levels.

Milk output in October 1975 continued to decline more sharply and fell 6 percent below the year-earlier level, compared with the 2 percent decline in September 1975. Cow numbers were still higher than year-earlier levels, but evidently milk yields dropped further. Monthly yields have fallen short of 1974 results since May 1975. Total January-October 1975 milk output made only a slight 0.4 percent gain over the year-earlier level. Production of eggs, which had continued above 1974 levels through September, made no gain in October 1975. Total January-October 1975 output increased 8 percent, however, above the year-earlier level.

Government purchases of livestock and poultry (live weight) dropped a sharp 21 percent in October 1975, compared with 6 percent in September. As a result of the lower availability of Government-held livestock for slaughter in October 1975, industrial meat output dropped slightly and was about the same level as a year earlier.

Output of whole milk products increased 6 percent in October 1975, following a decline in September. Total output during January-October 1975 again gained—by 4 percent—above the year-earlier level.

—By ANGEL O. BYRNE, ERS

USSR Data Show November Hog Drop

Hog numbers continued to fall on Soviet collective and State farms in November, but cattle numbers maintained the 3 percent increase over those of 1974 that has held firm throughout 1975. The slide in poultry inventories, however, appeared to be bottoming out.

Collective and State farm livestock inventories in 1975, compared with those of 1974 (in parentheses), in million head, were: Total cattle, 83.4 (80.8); of which cows were 27.3 (26.7) and other cattle, 56.1 (54.1); hogs, 44.0 (54.6); sheep and goats, 116.5 (117.9); and poultry, 361.8 (403.9).

The 19 percent drop in hog numbers (as of December 1) from the 1974 level compares with a 17-percent decline as of November 1, 1975. Hog inventories had been up 2 percent at midyear. Although data are not available for hog numbers in the private sector, it appears that the USSR hog population on January 1, 1976, was down about 20 percent. Compared with those of 1974, inventories of other types of livestock and poultry did not vary greatly between November 1 and December 1.

A substantial part of the decrease in hog numbers since October 1 may be explained by reduced breedings in the summer as drought conditions became more evident, rather than by distress slaughter. The peak in distress slaughter apparently occurred in the third quarter of 1975 when implied pork production was up 56 percent over the 1974 level. In contrast, production has been down 33 percent during the first 2 months of the fourth quarter.

CROPS & MARKETS

—GRAINS • FEEDS • PULSES • SEEDS—

Soviet Grain Crop Level for 1975. The recently published Soviet 5-year plan, covering the period 1976 through 1980, gives further information on the reduced 1975 grain crop. The plan refers to average USSR production over the past 5 years as being "over 180 million tons." Based on known outturn levels for the 1970-74 period, a 5-year average of exactly 180 million tons would mean a 1975 outturn of 132.4 million tons. A 1975 crop of 137 million tons, which is the currently accepted USDA estimate, would produce a 5-year average figure of 180.9 million tons.

Rotterdam Grain Prices and Levies. Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Jan. 5	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	(1)	(1)	6.27
USSR SKS-14	(1)	(1)	(1)
French Feed Milling [2]	3.51	−11	(1)
U.S. No. 2 Dark Northern Spring: 14 percent	4.89	−9	6.18
U.S. No. 2 Hard Winter: 13.5 percent	4.41	−8	5.94
No. 3 Hard Amber Durum	5.47	−13	7.99
Argentine	4.14	−8	(1)
U.S. No. 2 Soft Red Winter	3.67	−9	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	2.97	−5	4.04
French Maize [2]	3.34	−2	(1)
Argentine Plate corn	3.55	+2	4.57
U.S. No. 2 sorghum	2.95	−2	4.11
Argentine-Granifero sorghum	2.98	−3	4.22
U.S. No. 3 Feed barley	2.87	−5	3.85
Soybeans:			
Brazilian [3]	5.16	−10	(1)
U.S. No. 2 Yellow	4.84	−6	7.48
EC import levies:			
Wheat	1.22	0	0
Corn	1.06	0	0
Sorghum	1.02	0	0

[1] Not quoted. [2] Basis c.i.f. west coast, England. [3] May delivery. NOTE: Price basis 30- to 60-day delivery.

Argentina Receives Some Rainfall. Argentina received some scattered rainfall during December 18-24, 1975, but the amounts were reportedly insufficient to erase the current severe moisture shortage, or to remove the risk of severe damage to crops in coming weeks. Planting of sorghum had been resumed since dry weather stalled these operations, with about a third of the intended area still unseeded. Rains received before the end of December, however, would have allowed for planting to continue.

PRC Claims Increased Wheat Acreage. According to a statement issued by the People's Republic of China (PRC), acreage in winter wheat has been increased over that of 1974 in North China, the PRC's most important wheat-growing region. However, no sown acreage figures were given. Despite weather problems—drought in some areas and excessive precipitation in others—sowing reportedly was completed in good time, and wheat stands were doing well in early December. Sowing of wheat in southern China is still underway. With increased emphasis on sowing wheat after the late rice crop is harvested, the area sown to wheat in southern China probably will also show an increase over that of a year earlier in keeping with the trend of recent years.

Progress of Grain Shipments to the USSR. Preliminary reports on actual shipments, or scheduled loadings, of vessels indicate that approximately 9.7 million metric tons of all grains were shipped to the USSR from all origins during July-December 1975. It had earlier been estimated that total wheat and coarse grain imports by the USSR from all origins during the full 12-month period, July 1975-June 1976, would reach about 27 million tons. In light of the volume actually shipped during the first half of the year, the monthly level of shipments during the second half of the year will need to average approximately 2.9 million tons if the level of 27 million tons is to be reached.

Monthly shipment volumes have been approximately as follows, in thousands of metric tons: July, 350; August, 610; September, 1,430; October, 3,100; November, 2,500; December, 1,700.

The monthly average estimated for the October-December quarter is approximately 2.4 million tons.

India Aims for Larger Wheat Crop. India currently is implementing a program to increase wheat production in 1976. The new program, led by senior officials in the Government, agricultural universities, and research institutions, includes increased wheat area, selection and supply of better seed, soil testing, application of fertilizer and pesticides, adequate credit, and broad-scale training in techniques for high-yield varieties. This crop expansion program has been encouraged by good soil moisture following the excellent 1975 monsoon along with reduced fertilizer costs and improved supplies of electricity and irrigation water.

LIVESTOCK • PRODUCTS

Japanese Beef Surcharge Rates Set. The Japan Meat Council has set surcharge rates for imported beef under the private trade allocations and hotel quotas for the January 1-March 31, 1976 period.

For frozen beef from the United States the quotas are equivalent to 12 cents a pound for cuts such as short plate and flank, 13 cents for forequarter cuts, and 18 cents for hindquarter cuts. For frozen beef from Oceania, the rates are 41 cents, 46 cents, and 74 cents, respectively.

For chilled full sets, the rates are 44 cents per pound for those from the United States and 66 cents for those from Australia.

The tariff remains at 25 percent ad valorum for all fresh, chilled, and frozen beef imported.

Japan Announces New General Beef Quota. On December 17, the Japanese Government announced an additional general beef quota of 25,000 metric tons. This brings the Japan fiscal year (April-March 1975/76) quota to date to 82,130 metric tons. Of the 25,000 metric tons, 90 percent has been allocated to the Livestock Industry Promotion Corporation—a quasi-governmental market stabilization agency—and 10 percent to private importers. Imports are to occur in the January-March period. Recently, the U.S. share of the Japanese market has been increasing, and up to 20 percent of the 25,000 metric tons may be U.S. beef.

OAS Asks EC To End Beef Import Ban. The Permanent Council of the Organization of American States adopted by unanimous vote a resolution asking the EC to remove restrictions on beef imports. The Council noted the adverse effects of the EC ban on Latin American beef suppliers, and stated that the EC export-import system has not provided effective relief.

EC Beef CAP Price Boost Proposed. The EC Commission has proposed an 8 percent increase in the live cattle orientation price for the new marketing year starting March 1, 1976, for seven of the EC member countries. This new price of 118.74 units of account per 100 kilograms (67 cents per lb.) would be 23 percent above the December 15, 1975, average market price in the European Community.

The U.K. and Irish orientation prices would increase by 12.5 percent under the new proposal, to 109.80 UA/100 kg (62c/lb.).

DAIRY • POULTRY

Higher Dairy Prices Proposed in EC. The EC Commission has proposed two successive price increases for milk and dairy products, to take effect April 1 and September 16, 1976. Increases of 2 percent and 4.5 percent are proposed for the milk target price for the respective dates, with generally smaller increases proposed for intervention prices on the various products.

This generalization with respect to intervention prices does not hold where overridden by monetary changes in the value of "green" currency units relative to a country's basic exchange rate, or by transitional stages for recently-joined EC members.

Also, for nonfat dry milk, a 2.1 percent increase is recommended for April 1 in the intervention price, which would be superseded on September 16 by a "guide price" about 3½ percent above the preceding intervention. A guide price would not be binding upon the intervention authorities, who presumably would be free to enter the market any time the prevailing price was below the guide.

At the proposed levels, and recent exchange rates, EC dairy prices (basis Netherlands) would be as follows for the periods beginning April 1 and September 16, 1976: Whole milk target, per 100 pounds, $10.38 and $10.85; butter intervention, per pound, $1.39 and $1.44; nonfat dry milk, intervention (April 1) and guide (September 16), per pound, 59.1 cents and 61.3 cents. Increases of about 5 percent by September 16 are proposed for the Italian-type cheeses for which intervention is available.

SUGAR • TROPICAL PRODUCTS

New International Cocoa Pact Concluded. A United Nations cocoa conference under UNCTAD (United Nations Conference on Trade and Development) auspices was held in Geneva September 22-October 20 to negotiate a new International Cocoa Agreement to replace the current pact that is scheduled to expire September 30, 1976. The conference adopted a new text of agreement that will cover the succeeding 3-year period. However, the Ivory Coast declined to sign because it believed the new price range was too low. The United States is not a member of the current agreement.

The new agreement calls for a price range of 39 to 55 U.S. cents per pound, compared with the current indicator price range of 29.5 to 38.5 cents. The initial price range of the agreement when it went into operation in October 1973 was 23 to 32 cents per pound.

Under the new agreement, when prices are at 53 to 55 cents buffer stock sales of up to 7 percent of the initial annual export quotas will be allowed. Prices of 47 to 53 cents, constitute a free zone in which no quotas will operate and no buffer stock intervention will be permitted. There will also be no buffer stock intervention in the 100 percent quota zone of 45 to 47 cents, but when prices are between 42 and 45 cents, quotas will be 97 percent of the initial annual total. When prices are between 39 and 42 cents, the buffer stock shall purchase up to 4 percent of the annual quotas. The maximum capacity of the buffer stock will be 250,000 tons—the level set in the current agreement.

Thus far, the current agrement has yet to prove its effectiveness, as prices have remained well above the indicator price range and the buffer stock has not accumulated cocoa because of the high prices and tight supplies.

USSR Sugar Production Down. The Foreign Agricultural Service now estimates that sugar production in the USSR from the 1975 sugarbeet crop will amount to 7.5 million metric tons (raw value). This is a reduction of 1.5 million tons from the 9 million tons estimated November 20. Drought conditions prevailed during much of the summer, reducing yields considerably more than had been earlier expected. The beet crop was reduced below the 1971-75 average in both the Russian Soviet Federated Socialist Republic and in the Ukraine—the largest producing area.

The reduced estimate for the USSR results in a world production estimate for the 1975/76 crop of 81.9 million metric tons. It is expected that world consumption requirements for 1975/76 will be very close to this amount.

Brazil's Coffee Crop To Be Off By 50 Percent. Based on recent field observations Brazil's 1976/77 coffee crop is now expected to amount to between 9 million and 10.5 million bags (132.276 lb). This is less than half the production expected prior to the July 17-18, 1975, frost damage. The production estimates by States (in million bags) are as follows: São Paulo, 3 to 3.5; Minas Gerais, 4 to 5; other States, 2; with no production for Paraná. The 1976/77 crop still depends on adequate rain between now and harvesttime, which begins about May.

Recuperation of frost damaged coffee trees in the State of Paraná is far below expectations, therefore, the 1977/78 crop is likely to be very small.

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World Grain Situation

Continued from page 5

year's record.[2] The extraordinary harvest is due largely to an excellent Asian monsoon, coupled with several years of attractive prices, some increased use of high-yielding varieties, and an easing of recent input constraints.

This year's record crop (the third in succession) and high stock levels in some major importing countries are having a bearish impact on trade volume and world prices. Although exportable supplies are reckoned at 8.5-9.0 million tons, declining import demand makes it unlikely that actual 1976 exports will exceed 7.2 million tons, down 300,000 tons from those of calendar 1975. Meanwhile, world stocks are projected to increase by up to 30 percent—returning to levels that prevailed just prior to the failure of the 1972 Asian monsoon.

[2] **All production figures are on a paddy basis; trade and stocks are in terms of milled rice.**

In the Far East, the report states, several traditional importers had good-to-record 1975/76 rice crops and consequent reductions in import needs. Both South Korea and the Philippines may be out of the import market in 1976 following record crops estimated at 6.5 million and 6 million tons, respectively. Sri Lanka is expected to reduce imports to around 300,000 tons in 1976 from 400,000 in 1975 if its 1976 crop improves as expected from last year's drought-reduced outturn of 1.1 million.

Indonesia's 1975/76 crop was up 5 percent from the previous year's, but the country is still expected to import around 600,000 tons, in 1976, the same as last season.

Taiwan, with 1975/76 production—estimated up 180,000 tons from 1974/75's to nearly 3.25 million tons—may see some buildup in stocks during 1976, but it is not expected to export rice since domestic prices are above world levels.

In Thailand and Burma—the major Far Eastern exporters—rice crops are also good. Burma's 1975/76 harvest could reach 9 million tons, up 400,000 from 1974/75; some 400,000-500,000 tons may be exported in 1976, continuing the rebound begun last year when shipments rose 86 percent to 370,000 tons. Thailand's crop is estimated at over 15 million tons, for a 500,000-ton gain from 1974/75. With stocks up sharply, Thai export availability in 1976 could reach 2 million tons.

In South Asia, India enjoyed a near-perfect monsoon and a consequent jump in production to about 69 million tons—5 percent above the 1973 record. This gain will help boost consumption while perhaps allowing a 2-million-ton buildup in stocks. In Pakistan, rice production is estimated at 3.75 million tons, and exportable surpluses, at 900,000. Low Pakistani prices have made this country the price setter in many Asian markets while helping establish Pakistani rice in the Mideastern market.

Elsewhere, Iranian production is up slightly while import demand has slackened from its recently strong level. Egyptian 1975 rice production is up about 100,000 tons to an estimated 2.5 million tons; the country hopes to export 200,000 tons in 1976 to Eastern Europe and the Mideast. Italy's rice harvest is estimated at almost 1 million tons, but exports in 1976 are expected to slip 20 percent to 360,000 tons. The PRC rice crop is believed to be slightly above last year's record; North Korea probably produced a bumper 1975/76 crop with at least 200,000 tons available for shipment in 1976; and Vietnam's production is continuing its recovery from the low levels of the late 1960's.

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